



STATE SUPERANNUATION SCHEME (SSS)

23. SSS Concessional Contributions Cap

This Fact Sheet provides information for members of the State Superannuation Scheme (SSS) about the introduction of the Commonwealth Government's Concessional Contributions Cap from 1 July 2007.

It is recommended you also read the SSS Salary Sacrifice Flyer which explains how salary sacrifice works in SSS.

You should consider obtaining financial advice to determine how the Concessional Contributions Cap affects your superannuation arrangements.

This Fact Sheet applies only to members of SSS. Members of SASS or PSS should refer to their specific Fact Sheet on Concessional Contributions Cap available on the website or through Customer Service.

The following information is for members who are full-time employees. Different conditions apply to part-time employees and members on leave without pay. These members should contact Customer Service for further details.

WHAT IS THE CONCESSIONAL CONTRIBUTIONS CAP?

It is the annual limit on the total amount of concessional contributions that can be made into superannuation funds for an individual that are treated on a concessional basis. Concessional contributions used to be known as deductible contributions.

It is your age at 30 June each financial year that determines which cap applies. For the financial year ending 30 June 2008, the cap is:

- \$50,000 for members aged less than 50 at 30 June 2008
- \$100,000 for members aged 50 or more at 30 June 2008.

Importantly, if SSS is the only superannuation fund of yours receiving concessional contributions (including salary sacrifice contributions), you do not exceed the cap - even if you decide to make all your compulsory personal contributions to SSS via salary sacrifice.

However there are special conditions applying to defined benefit funds such as SSS. Under the Commonwealth Government's superannuation Regulations for calculating concessional

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The State Superannuation Scheme (SSS) is administered by Pillar Administration on behalf of the Trustee, SAS Trustee Corporation (STC). SSS is governed by the *Superannuation Act 1916*, the *State Authorities Non-contributory Superannuation Act 1987* and the *Superannuation Administration Act 1996*. The Scheme is also subject to Commonwealth superannuation and tax legislation.

Reasonable care has been taken in producing the information in this Fact Sheet and nothing in it is to be regarded as personal advice. If there is any inconsistency between the information in this Fact Sheet and the relevant Scheme legislation, the Scheme legislation will prevail. In preparing this Fact Sheet, STC has not taken into account your objectives, financial situation or needs and, because of this, you should consider your personal circumstances and possibly seek professional advice, before making any decision that affects your future.

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contributions, a SSS member whose concessional contributions exceed their respective cap is deemed to be within their cap.

For example, a member under the age of 50 on a high salary could theoretically exceed the concessional contribution cap of \$50,000 in SSS, but their concessional contributions would be deemed to be equal to the cap. SSS would report that member's SSS concessional contributions to the Australian Taxation Office (ATO) as \$50,000.

No additional tax is applied to salary sacrifice contributions exceeding the cap in SSS.

However, a member who exceeds (exhausts) the cap in SSS will have any employer contributions made to another fund (including salary sacrifice contributions) taxed at a total of 46.5%.

HOW ARE MY CONCESSIONAL CONTRIBUTIONS CALCULATED?

Commonwealth Government Regulations set out the basis for calculating concessional contributions made to defined benefit superannuation schemes for the purpose of the Concessional Contributions Cap.

To make it easier for you to calculate your concessional contributions to SSS (including your Basic Benefit in SANCS), simply use the formula below for your Retirement Age.

The Salary to use in the formula below is your superannuation salary as at the last annual review day prior to the start of the financial year.

Retirement Age 60:

$$\text{Salary} \times 0.06^* + \text{any salary sacrifice contributions to SSS}$$

$$*0.06 = 0.048 \text{ (SSS)} + 0.012 \text{ (SANCS)}$$

If you have reached your retirement age of 60 at the start of the financial year this amount is equal to 0.012. If you reach age 60 during the financial year an apportionment would be required.

Retirement Age 55:

$$\text{Salary} \times 0.072^{**} + \text{any salary sacrifice contributions to SSS}$$

$$**0.072 = 0.060 \text{ (SSS)} + 0.012 \text{ (SANCS)}$$

If you have reached your retirement age of 55 at the start of the financial year this amount is equal to 0.012. If you reach age 55 during the financial year an apportionment would be required.

YOUR TOTAL CONCESSIONAL CONTRIBUTIONS EQUAL:

Concessional contributions to SSS and SANCS + any salary sacrifice contributions to another fund*

*Remember, if you work somewhere else, employer contributions paid into any other fund also need to be added to your total concessional contributions

Examples if you're less than age 50:

In the following examples we'll use Jim as an example of how to calculate total concessional contributions.

Jim's only job is with his SSS employer and his personal details are:

- Retirement age: 60
- Salary at 28 July 2006 \$70,000
- Age at 30 June 2008: 48
- Jim's current annual after-tax compulsory personal contributions to SSS: \$4,200

Example 1:

If Jim decided not to salary sacrifice any compulsory personal contributions into SSS for the financial year ending 30 June 2008, his concessional contributions to SSS would be:

$$(\text{Salary} \times 0.06) + \text{any salary sacrifice contributions to SSS}$$

$$\$70,000 \times 0.06 + \text{nil} = \$4,200$$

If Jim does not make any salary sacrifice contributions to another fund, his total concessional contributions for the financial year ending 30 June 2008 would be \$4,200.

Example 2:

Jim decides to salary sacrifice his compulsory personal contributions to SSS. Jim has to gross up his compulsory personal contributions as detailed in the accompanying SSS Salary Sacrifice Flyer. Jim's after-tax contribution of \$4,200 grosses up to \$4,941 on a salary sacrifice basis.

Using the formula, his concessional contributions to SSS would be:

$$(\text{Salary} \times 0.06) + \text{salary sacrifice contributions to SSS}$$

$$(\$70,000 \times 0.06) + \$4,941$$

$$\$4,200 + \$4,941 = \$9,141$$

If Jim does not make any salary sacrifice contributions to another fund, his total concessional contributions for the financial year ending 30 June 2008 would be \$9,141.

Example 3

Jim decides to salary sacrifice his compulsory personal contributions to SSS and salary sacrifice a further \$10,000 to his other superannuation top-up fund.

In Example 2 where Jim decided to salary sacrifice his compulsory personal contributions to SSS, we know Jim’s concessional contributions to SSS amounted to \$9,141. Therefore his total concessional contributions in this example would be:

$$\$9,141 + \$10,000 = \$19,141$$

By deducting this amount from the Concessional Contributions Cap of \$50,000, Jim is \$30,859 under the Concessional Contributions Cap for members aged less than 50.

Example over age 50 and past Retirement Age 55

Mary’s only job is with her SSS employer and her personal details are:

Retirement Age:.....	55
Salary at 28 July 2006:.....	\$125,000
Age at 30 June 2008:.....	57
Mary’s current annual after-tax compulsory personal contributions to SSS:.....	\$11,250

Mary has continued working past her Retirement Age of 55 and will be 57 on 30 June 2008. In accordance with the Commonwealth Government’s superannuation Regulations, Mary’s Concessional Contributions Cap is \$100,000 because she is over age 50. The Regulations also result in the following change to the formula where SSS members work past their Retirement Age of 55 or 60:

$$\text{Salary} \times 0.012 + \text{any salary sacrifice contributions to SSS}$$

So if Mary continued making contributions from her after-tax salary, her concessional contributions would be \$1,500.

If Mary decided to salary sacrifice her compulsory personal contributions to SSS of \$11,250 (\$13,235 grossed up) and salary sacrifice a further \$50,000 to her other superannuation top-up fund, the calculation would be:

$$\$125,000 \times 0.012 + \$13,235 \text{ to SSS} + \$50,000 \text{ to top-up fund} = \$64,735$$

Mary’s concessional contributions of \$64,735 are still \$35,265 under the Concessional Contributions Cap of \$100,000 for people aged 50 or more.

WHAT HAPPENS IF CONCESSIONAL CONTRIBUTIONS EXCEED THE CAP?

Any concessional contributions exceeding the cap will be taxed at a total of 46.5% and you will be advised by the ATO after submitting your tax return. The amount of the excess contributions will also then be counted as non-concessional contributions (see later question).

It is therefore important for members to carefully consider the level of salary sacrifice contributions they currently make or are considering making to another superannuation fund. You should consider obtaining financial advice in this regard.

WHAT IF I HAVE A SECOND JOB?

If you have a second job with another employer and that employer makes superannuation contributions to another fund on your behalf, you have to include those concessional contributions when calculating the total of your concessional contributions. The examples shown earlier in this Fact Sheet only relate to concessional contributions in relation to your SSS membership.

Any super fund of yours receiving employer contributions on your behalf (including any salary sacrifice contributions), reports that amount to the ATO each year. Those reported amounts from any other super funds are added to your reported SSS contributions and tested against the Concessional Contributions Cap.

I’M IN TWO SUPER FUNDS, WHAT DO I DO?

It is only those super funds of yours which receive employer contributions (including any salary sacrifice contributions) that are included in the calculation of your total concessional contributions.

DO AFTER-TAX CONTRIBUTIONS COUNT TOWARDS THE CONCESSIONAL CONTRIBUTIONS CAP?

No. These are counted towards a non-concessional contributions cap which is quite separate from the Concessional Contributions Cap. Non-concessional contributions are after-tax compulsory personal contributions you may make to SSS or any after-tax contributions you may make to another superannuation top-up fund.

The non-concessional cap is set at \$150,000 for the 2007–08 year. People under age 65 can bring forward two years' worth of non-concessional contributions, allowing up to \$450,000 to be contributed in a single year. Contributions exceeding this cap are taxed at 46.5%.

It is recommended you obtain professional financial advice to determine your best course of action regarding non-concessional contributions versus concessional contributions.

more information

If you need more information, please contact us:

Telephone: 1300 130 096 (for the cost of a local call, unless calling from a mobile or pay phone)
8.30 am to 5.30 pm, Monday to Friday.

Personal interviews: Level 18, 83 Clarence Street, Sydney NSW 2000
Please phone (02) 9238 5540 to make an appointment.

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